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**COUNTY OF MENDOCINO**

**SINGLE AUDIT REPORT**

**JUNE 30, 2009**

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3/26/10

# COUNTY OF MENDOCINO

## Single Audit Report For the Year Ended June 30, 2009

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GALLINA<sup>LLP</sup>

CERTIFIED PUBLIC ACCOUNTANTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Board of Supervisors and Grand Jury  
County of Mendocino  
Ukiah, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Mendocino, as of and for the year ended June 30, 2009, which collectively comprise the County of Mendocino's basic financial statements and have issued our report thereon dated February 17, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County of Mendocino's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County of Mendocino's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County of Mendocino's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and one that we consider to be a material weakness.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 09-FS-1, 09-FS-2, 09-FS-3, 09-FS-4, 09-FS-5, 09-FS-6, 09-FS-7, and 09-FS-8 to be significant deficiencies in internal control over financial reporting.

Board of Supervisors and Grand Jury  
County of Mendocino

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 09-FS-1, 09-FS-2, 09-FS-5, 09-FS-6, 09-FS-7, and 09-FS-8 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Mendocino's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the County of Mendocino in a separate letter dated February 17, 2010.

The County of Mendocino's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the County's response, and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Supervisors, the Grand Jury and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specific parties.



Roseville, California  
February 17, 2010



GALLINA<sup>LLP</sup>

CERTIFIED PUBLIC ACCOUNTANTS

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH  
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Supervisors and Grand Jury  
County of Mendocino  
Ukiah, California

Compliance

We have audited the compliance of the County of Mendocino, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The County of Mendocino's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulation, contracts, and grants applicable to each of its major federal programs is the responsibility of the County of Mendocino's management. Our responsibility is to express an opinion on the County of Mendocino's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County of Mendocino's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County of Mendocino's compliance with those requirements.

In our opinion, the County of Mendocino complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedules of findings and questioned costs as items 09-SA-1, 09-SA-2, and 09-SA-3.

Board of Supervisors and Grand Jury  
County of Mendocino

Internal Control Over Compliance

The management of the County of Mendocino is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 09-SA-1, 09-SA-2, and 09-SA-3 to be significant deficiencies.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider items 09-SA-1 and 09-SA-3 to be material weaknesses.

The County of Mendocino's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County's response and, accordingly, we express no opinion on it.

Board of Supervisors and Grand Jury  
County of Mendocino

Schedule of Expenditures of Federal Awards

We have audited the accompanying financial statements of the government activities, each major fund, and the aggregate remaining fund information of the County of Mendocino, California, as of and for the year ended June 30, 2009, and have issued our report thereon dated February 17, 2010. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Supplementary Schedule of the California Emergency Management Agency Grants Expenditures on page 36 have not been subjected to auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, the Grand Jury and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specific parties.



Roseville, California  
February 17, 2010

# COUNTY OF MENDOCINO

## Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2009

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Disbursements/ Expenditures
<u>U.S. Department of Agriculture</u>			
Passed through State Department of Social Services:			
Supplemental Nutrition Assistance Program	10.551*	--	\$ 14,215,013
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561*	--	<u>1,716,550</u>
Subtotal			<u>15,931,563</u>
Passed through State Department of Health Services:			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	--	<u>802,526</u>
Passed through State Controller's Office:			
Secure Payments for States and Counties Containing Federal Lands	10.665	--	<u>273,416</u>
Total U.S. Department of Agriculture			<u>\$ 17,007,505</u>
<u>U.S. Department of Housing and Urban Development</u>			
Direct program:			
Supportive Housing Program-Transitional Housing	14.235	--	127,839
Supportive Housing Program-Seamless Transitional Empowerment Program	14.235	--	<u>185,699</u>
Subtotal			<u>313,538</u>
Passed through State Department of Housing and Community Development:			
Community Development Block Grants/State's Program	14.228	--	214,238
HOME Investment Partnerships Program	14.239	--	<u>556,000</u>
Subtotal			<u>770,238</u>
Total U.S. Department of Housing and Urban Development			<u>\$ 1,083,776</u>
<u>U.S. Department of Interior</u>			
Direct program:			
Payment in Lieu of Taxes	15.226	--	<u>357,663</u>
Total U.S. Department of Interior			<u>\$ 357,663</u>

\* Major Program



# COUNTY OF MENDOCINO

## Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2009

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Disbursements/ Expenditures
<u>U.S. Department of Justice</u>			
Direct programs:			
Cannabis Eradication	16.579	--	\$ 327,935
Drug Court Enhancement Grant	16.585	--	50,840
State Criminal Alien Assistance Program	16.606	--	98,081
Bulletproof Vest Partnership Program	16.607	--	5,101
COPS Technology Program	16.710	--	491,033
Byrne Justice Assistance Grant Program	16.738	--	11,099
Adult System of Care for Mentally Ill Offenders	16.745	--	29,185
Subtotal			<u>1,013,274</u>
Passed through California Emergency Management Agency:			
Anti-Drug Abuse Enforcement Program	16.579	DC08190230	128,348
Special Emphasis Victim Assistance Program	16.579	SE08110230	93,500
Victim Witness Assistance Program	16.579	VW08270230	48,923
Subtotal			<u>270,771</u>
Total U.S. Department of Justice			<u>\$ 1,284,045</u>
<u>U.S. Department of Labor</u>			
Passed through State Employment Development Department:			
Workforce Investment Act	17.000*	--	1,695,229
ARRA - Workforce Investment Act	17.000*	--	167,796
Total U.S. Department of Labor			<u>\$ 1,863,025</u>
<u>U.S. Department of Transportation</u>			
Direct program:			
Airport Improvement Program	20.106*	--	749
Airport Improvement Program	20.106*	3-06-0121-05	1,574,847
Airport Improvement Program	20.106*	3-06-0121-06	42,877
Airport Improvement Program	20.106*	3-06-0121-03	154,429
Airport Improvement Program	20.106*	3-06-0121-04	2,633
Subtotal			<u>1,775,535</u>
Passed through State Department of Transportation:			
Highway Planning and Construction	20.205*	BHLS-5910(067)	333,789
Highway Planning and Construction	20.205*	BRLSZD-5910(039)	5,861
Highway Planning and Construction	20.205*	RPSTPLE-5910(045)	13,797
Highway Planning and Construction	20.205*	RPSTPL-5910(052)	36,576
Highway Planning and Construction	20.205*	RPSTPL-5910(056)	79,149

\* Major Program

# COUNTY OF MENDOCINO

## Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2009

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Disbursements/ Expenditures
<u>U.S. Department of Transportation (continued)</u>			
Passed through State Department of Transportation (continued):			
Highway Planning and Construction	20.205*	STPLER-5910(048)	\$ 8,377
Highway Planning and Construction	20.205*	PLH-5910(059)	1,471
Highway Planning and Construction	20.205*	ER 4404(003-036)	733,505
Highway Planning and Construction	20.205*	BROL-5910(068)	89,856
Highway Planning and Construction	20.205*	BPMP-5910(066)	4,182
ARRA - Highway Planning and Construction	20.205*	--	17,371
Subtotal			<u>1,323,934</u>
Passed through State Office of Traffic Safety:			
State and Community Highway Safety	20.600	AL0628	<u>115,671</u>
Total U.S. Department of Transportation			<u>\$ 3,215,140</u>
<u>U.S. Department of Environmental Protection Agency</u>			
Passed through State Department Water Control Board:			
Water Quality/Clean Water Act	66.454	--	<u>73,614</u>
Total U.S. Department of Environmental Protection Agency			<u>\$ 73,614</u>
<u>U.S. Department of Education</u>			
Passed through State Department of Rehabilitation:			
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	--	155,330
Passed through State Department of Alcohol and Drug Abuse Programs:			
Safe and Drug-Free Schools and Communities – State Grants	84.186	SDF-03-35	20,389
Passed through the Mendocino County Office of Education:			
Safe and Drug-Free Schools and Communities and National Programs	84.184	--	<u>232,618</u>
Total U.S. Department of Education			<u>\$ 408,337</u>
<u>U.S. Department of Health and Human Services</u>			
Direct programs:			
Methamphetamine or Other Substance Abuse	93.087	--	336,902
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	--	417,684
Immunization Grants	93.268	--	42,147

\* Major Program

# COUNTY OF MENDOCINO

## Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2009

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Disbursements/ Expenditures
<u>U.S. Department of Health and Human Services (continued)</u>			
Direct programs (continued):			
Drug Free Communities Support Program	93.276	--	\$ 89,210
Rural Health Care Services Outreach	93.912	--	43,126
Subtotal			<u>929,069</u>
Passed through State Department of Child Support Services:			
Child Support Enforcement	93.563	--	<u>1,732,479</u>
Passed through State Department of Social Services:			
Temporary Assistance for Needy Families	93.558*	--	9,704,690
ARRA - Temporary Assistance for Needy Families	93.558*	--	363
Promoting Safe and Stable Families	93.556	--	70,437
SACWIS	93.568	--	11,816
Child Welfare Services -- State Grants	93.645	--	172,338
Foster Care -- Title IV-E	93.658*	--	7,002,034
ARRA - Foster Care -- Title IV-E	93.658*	--	170,502
Adoption Assistance	93.659*	--	1,639,282
ARRA - Adoption Assistance	93.659*	--	115,090
In Home Supportive Services	93.667	--	188,145
Independent Living Program	93.674	--	73,918
Subtotal			<u>19,148,615</u>
Passed through State Department of Health Care Services:			
Maternal and Child Health Services	93.110	200623	115,484
Adolescent Family Life Program	93.111	200623	106,946
Childhood Lead Poisoning Prevention Program	93.197	02-25054	8,490
Family Planning Services	93.217	--	120,047
Medical Assistance Program	93.778*	--	2,476,583
HIV Care Formula Grants - Ryan White	93.917	2008-2009	62,389
Subtotal			<u>2,889,939</u>
Passed through State Department of Public Health:			
Public Health Emergency Preparedness	93.069	--	204,441
Hospital Preparedness Program	93.889	--	147,362
Child Health and Disability Prevention Program	93.994	--	91,478
Health Care Program for Children in Foster Care	93.994	--	29,453
Subtotal			<u>472,734</u>

\* Major Program

# COUNTY OF MENDOCINO

## Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2009

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Disbursements/ Expenditures
<u>U.S. Department of Health and Human Services (continued)</u>			
Passed through the State Department of Mental Health:			
Projects for Assistance in Transition from Homelessness (PATH)	93.150	--	\$ 17,280
Substance Abuse and Mental Health Services Administration (SAMHSA)	93.958	--	44,302
Subtotal			<u>61,582</u>
Passed through State Department of Alcohol and Drug Abuse Programs:			
Block Grants for Prevention and Treatment of Substance Abuse (SAPT)	93.959	NNA23- Amendment 2	838,367
Federal Drug Medi-Cal	93.778*	--	102,721
Subtotal			<u>941,088</u>
Total Department of Health and Human Services			<u>\$ 26,175,506</u>
<u>U.S. Department of Homeland Security</u>			
Passed through State Office of Homeland Security:			
State Homeland Security Program - SHSP (FY 2007)	97.073	2006-71	16,137
State Homeland Security Program - SHSP (FY 2008)	97.073	2007-08	348,940
Interoperable Communications Equipment	97.055	--	200,000
Subtotal Pass-through			<u>565,077</u>
Passed through California Emergency Management Agency:			
Public Assistance Grants	97.036	--	490,434
Total Department of Homeland Security			<u>\$ 1,055,511</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 52,524,122</u></u>

## COUNTY OF MENDOCINO

### Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2009

Note 1: **Reporting Entity**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the County of Mendocino (the "County"). The County of Mendocino's reporting entity is defined in Note 1 to the County's basic financial statements. All federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included in the schedule.

Note 2: **Basis of Accounting**

The accompanying Schedule of Expenditures of Federal Awards is prepared on an accrual basis. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Note 3: **Relationship to Financial Statements**

The amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree, in all material respects, to amounts reported within the County's financial statements. Federal award revenues are reported principally in the County's financial statements as intergovernmental revenues in the General and Special Revenue funds.

Note 4: **Subrecipients**

Of the federal expenditures presented in the schedule, the County provided federal awards to subrecipients as follows:

<u>Federal CFDA</u>	<u>Program Title</u>	<u>Amount Provided to Subrecipients</u>
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	\$ 8,502
14.228	Community Development Block Grants/State's Program	4,500
14.235	Supportive Housing Program Seamless Transitional Empowerment Program	168,261
14.235	Supportive Housing Program Transitional Housing	127,474
14.239	HOME Investment Partnerships Program	556,000
17.000	Workforce Investment Act	1,757,033
93.150	Projects for Assistance in Transition from Homelessness	17,280
93.958	Substance Abuse and Mental Health Services Administration	<u>44,302</u>
	<b>TOTAL</b>	<b><u>\$ 2,683,352</u></b>

## COUNTY OF MENDOCINO

### Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2009

Note 5: **Program Clusters**

Federal programs, which must be audited together as a program cluster, include the following:

<u>Federal CFDA</u>	<u>Program Title</u>	<u>Federal Expenditures</u>
<u>Supplemental Nutrition Assistance Program (SNAP) Cluster:</u>		
10.551	Supplemental Nutrition Assistance Program	\$ 14,215,013
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	<u>1,716,550</u>
	TOTAL	<u>\$ 15,931,563</u>

Note 6: **Pass-Through Entities' Identifying Number**

When federal awards were received from a pass-through entity, the Schedule of Expenditures of Federal Awards shows, if available, the identifying number assigned by the pass-through entity. When no identifying number is shown, the County determined that no identifying number is assigned for the program or the County was unable to obtain an identifying number from the pass-through entity.

Note 7: **Total Federal Awards Expended by CFDA Number**

When there is more than one program under a single CFDA number, the Schedule of Expenditures of Federal Awards presents totals of all programs under the one CFDA number. Occasionally, however, this total could not be conveniently displayed because all programs under one CFDA number were not contiguous. When this occurred, this total is not shown in the Schedule, but instead is provided below:

<u>CFDA No.</u>	<u>Total Federal Expenditures</u>
93.778	\$ 2,579,304
16.579	598,706

# COUNTY OF MENDOCINO

## Schedule of Findings and Questioned Costs For the Year Ended June 30, 2009

### Section 1

### Summary of Auditor's Results

#### Financial Statements

- |   |             |
|---|-------------|
| 1. Type of auditor's report issued:   | Unqualified |
| 2. Internal control over financial reporting:                                       |             |
| a. Material weaknesses identified?  | Yes         |
| b. Significant deficiencies identified not<br>considered to be material weaknesses? | Yes         |
| 3. Noncompliance material to financial statements<br>noted?                         | No          |

#### Federal Awards

- |   |             |
|---|-------------|
| 1. Internal controls over major program:  |             |
| a. Material weaknesses identified?  | Yes         |
| b. Significant deficiencies identified not<br>considered to be material weaknesses?   | Yes         |
| 2. Type of auditor's report issued on compliance<br>for major programs:   | Unqualified |
| 3. Any audit findings disclosed that are required<br>to be reported in accordance with Circular<br>OMB A-133, Section 510(a)? | Yes         |
| 4. Identification of major program:   |             |

#### CFDA Number

#### Name of Federal Program

*SNAP Cluster*

10.551

Supplemental Nutrition Assistance  
Program

10.561

State Administrative Matching Grants  
for the Supplemental Nutrition  
Assistance Program

17.000

Work Investment Act

20.106

Airport Improvement Program

20.205

Highway Planning and Construction

93.558

Temporary Assistance for Needy  
Families

93.658

Foster Care – Title IV-E

93.659

Adoption Assistance

## COUNTY OF MENDOCINO

### Schedule of Findings and Questioned Costs For the Year Ended June 30, 2009

#### Section 1 (continued)

##### Federal Awards (continued)

#### 4. Identification of major programs: (continued)

##### CFDA Number

93.778

##### Name of Federal Program

Medical Assistance Program

#### 5. Dollar threshold used to distinguish between Type A and Type B programs.

\$ 1,575,724

##### Federal Awards (continued)

##### Summary of Auditor's Results

#### 6. Auditee qualified as a low-risk auditee under OMB Circular A-133, Section 530?

No

#### Section 2

##### Financial Statement Findings

Financial Statement and SEFA Preparation	09-FS-1
American Recovery and Reinvestment Act Requirements	09-FS-2
Treasury Reconciliations and Other Items	09-FS-3
Accounts Payable	09-FS-4
Accounts Payable and Cash	09-FS-5
Reconciliation of Cash and Investments	09-FS-6
Governmental Trust Funds	09-FS-7
Property Tax Receivable	09-FS-8

#### Section 3

##### Federal Award Findings and Questioned Costs

CFDA 20.205	09-SA-1
CFDA 93.558	09-SA-2
CFDA 93.778	09-SA-3



# COUNTY OF MENDOCINO

## Schedule of Findings and Questioned Costs Financial Statement Findings For the Year Ended June 30, 2009

Program	Findings/Noncompliance
<b>Finding 09-FS-1</b>	<p><i>Financial Statement and SEFA Preparation Reporting Requirement: Material Weakness</i></p> <p><u>Criteria</u></p> <p>Statement on Auditing Standard No. 112, <i>Communicating Internal Control Related Matters Identified in a Audit</i> (SAS 112), applies to the County's current year fiscal audit. The standard provides guidance in that if an entity is unable to draft its own financial statements, there may be a material weakness or significant deficiency. External auditors cannot be part of the County's internal controls, including controls over the preparation of the financial statements, and are prohibited from auditing their own work as doing so impairs their independence. These same requirements apply to the Schedule of Expenditures of Federal Awards (SEFA).</p> <p>The Schedule of Expenditures of Federal Awards (SEFA), while not a part of the basic financial statements, is audited in relation to the basic financial statements, in accordance with the requirements of OMB Circular A-133. OMB Circular A-133 requires us to determine major programs and perform risk determinations based on a complete SEFA prior to performing fieldwork.</p> <p><u>Condition</u></p> <p>In the process of obtaining the County's federal expenditures and reconciliations to the General Ledger by grant and by program we were unable to obtain the federal expenditures and reconciliations for many of the grants and programs in a timely manner. This delay resulted in significant changes to the required risk assessment process that determines which major programs must be audited.</p> <p><u>Cause</u></p> <p>The Auditor-Controller's Office relies on the departments to identify federal expenditures by grant and by program and does not currently have an adequate system in place for following up on missing or inaccurate information.</p>

# COUNTY OF MENDOCINO

## Schedule of Findings and Questioned Costs Financial Statement Findings For the Year Ended June 30, 2009

Program	Findings/Noncompliance
<b>Finding 09-FS-1</b> (continued)	<p><u>Effect of Condition</u></p> <p>Not having an adequate system in place for compiling the SEFA can result in missing or inaccurate federal expenditures being reported. Since the external auditors must identify the County's major programs using its SEFA, inaccurate balances may result in additional work and audit fees if a new major program is identified upon completion of fieldwork.</p> <p><u>Recommendation</u></p> <p>We recommend that the County review all expenditures reported on the SEFA for accuracy and completeness and compare what is reported to the general ledger. We further recommend that the County ensure that all Departments have provided their federal expenditures, including loans, in-kind and other federal awards. We also recommend that the County have more than one person review the SEFA prior to submitting it for the audit to help ensure that all grants and programs are reported in a timely manner.</p> <p><u>Management Response</u></p> <p>We will continue to work with departments to ensure all SEFA expenditures are submitted accurately, and compare what is reported to the General Ledger. We will have more than one person review the SEFA.</p>

# COUNTY OF MENDOCINO

## Schedule of Findings and Questioned Costs Financial Statement Findings For the Year Ended June 30, 2009

Program	Findings/Noncompliance
<b>Finding 09-FS-2</b>	<p><i>American Recovery and Reinvestment Act Requirements Reporting Requirement: Material Weakness</i></p> <p><u>Criteria</u></p> <p>The American Recovery and Reinvestment Act of 2009 (Pub. L. No. 111-5) (ARRA) requires entities that receive ARRA funds to agree to (1) maintain records that identify adequately the source and application of ARRA awards; (2) separately identify to each subrecipient, and document at the time of the subaward and disbursement of funds, the Federal award number, CFDA number, and the amount of ARRA funds; (3) provide identification of ARRA awards in their Schedule of Expenditures of Federal Awards (SEFA) and Data Collection Form (SF-SAC) and require their subrecipients to provide similar identification in their SEFA and SF-SAC. Additional information, including presentation requirements for the SEFA and SF-SAC.</p> <p><u>Condition</u></p> <p>During our audit we noted the County did not establish the requirements listed below as required for entities that received ARRA funds:</p> <ol style="list-style-type: none"><li>1) Establish a point person for ARRA funds.</li><li>2) Be able to segregate and track ARRA funds.</li><li>3) Establish a process for accepting ARRA funds.</li><li>4) Establish a subrecipient monitoring process.</li><li>5) Appoint someone to be responsible for quarterly reporting.</li></ol> <p><u>Cause</u></p> <p>Management did not establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements, including internal control designed to ensure compliance with ARRA requirements.</p> <p><u>Effect of Condition</u></p> <p>The County could inadvertently miss to properly report ARRA fund expenditures on their SEFA as required by law.</p>

# COUNTY OF MENDOCINO

## Schedule of Findings and Questioned Costs Financial Statement Findings For the Year Ended June 30, 2009

Program	Findings/Noncompliance
<b>Finding 09-FS-2</b> (continued)	<u data-bbox="462 422 691 453">Recommendation</u>  We recommend the County establish and maintain internal controls that will allow for the proper identification and tracking of the County's ARRA fund expenditures. We also recommend the County assign someone to be the "Point Person" responsible for ARRA funds and identify someone to be responsible for quarterly reporting.  <u data-bbox="462 695 764 726">Management Response</u>  We agree and have assigned a point person responsible for ARRA Funds.

# COUNTY OF MENDOCINO

## Schedule of Findings and Questioned Costs Financial Statement Findings For the Year Ended June 30, 2009

Program	Findings/Noncompliance
<b>Finding 09-FS-3</b>	<p><i>Treasury Reconciliations and Other Items Reporting Requirement: Significant Deficiency</i></p> <p><u>Criteria</u></p> <p>Investment related transactions, including purchased (prepaid) interest and premiums and discounts should be consistently accounted for by the Treasury.</p> <p><u>Condition</u></p> <p>Certain transactions related to investments have not been consistently accounted for, resulting in reconciliation difficulties.</p> <p><u>Cause</u></p> <p>Current Treasury staff does not appear to have the necessary training or understanding of investment accounting.</p> <p><u>Effect of Condition</u></p> <p>By not consistently accounting for investment related transactions, the balance of cash and investments could become materially misstated.</p> <p><u>Recommendation</u></p> <p>We recommend that the Treasurer's office consult with the Auditor Controller's Office and other sources as necessary to develop a consistent method of investment accounting. If necessary, we recommend that Treasury staff members receive external training specific to Treasury related activities, particularly investment accounting.</p> <p><u>Management Response</u></p> <p>We agree. Treasury staff has devoted numerous hours consulting with several other county treasurers on how to consistently account for investment related transactions as they are incorporated into the daily balancing process. The methods previously in place were clearly confusing for the staff members involved in this process; this situation has now been remedied with staff fully understanding how to consistently account for investment related transactions. The Auditor's Office has been consulted and supports the process now in place.</p>

# COUNTY OF MENDOCINO

## Schedule of Findings and Questioned Costs Financial Statement Findings For the Year Ended June 30, 2009

Program	Findings/Noncompliance
<b>Finding 09-FS-4</b>	<div data-bbox="459 394 1062 459"><i>Accounts Payable</i> <i>Reporting Requirement: Significant Deficiency</i></div> <div data-bbox="459 504 561 531"><u>Criteria</u></div> <div data-bbox="459 575 1411 642"><p>Generally accepted accounting principles provide that accounts payable at year end should include all liabilities incurred but not paid as of that date.</p></div> <div data-bbox="459 686 591 714"><u>Condition</u></div> <div data-bbox="459 758 1411 825"><p>During the audit, we noted expenditures amounting to \$192 thousand that were incurred during the fiscal year but not accrued at year end.</p></div> <div data-bbox="459 869 540 896"><u>Cause</u></div> <div data-bbox="459 940 1411 1155"><p>Subsequent to year end, the responsible department did not communicate all known payables to the Auditor-Controller's office for accrual, and the invoice was received after the County's cut-off period for accounts payable. Additionally, the County has a policy to not accrue expenditures for various grants reported in the 4000 Fund sequence within its GL.</p></div> <div data-bbox="459 1199 711 1226"><u>Effect of Condition</u></div> <div data-bbox="459 1270 1411 1377"><p>By not properly accruing invoices received subsequent to year end, the County could understate its accounts payable liability and related expenditure accounts.</p></div> <div data-bbox="459 1421 686 1449"><u>Recommendation</u></div> <div data-bbox="459 1493 1411 1745"><p>We recommend that the Auditor-Controller's office ensure that all significant payments made subsequent to year-end be reviewed for the possibility of accrual. In addition, we recommend that the responsible department review its closing process and make any modifications necessary to ensure that significant payments made after year end for services performed or goods received in a prior year are identified and communicated to the Auditor-Controller's office for accrual.</p></div>

# COUNTY OF MENDOCINO

## Schedule of Findings and Questioned Costs Financial Statement Findings For the Year Ended June 30, 2009

Program	Findings/Noncompliance
<b>Finding 09-FS-4</b> (continued)	<u>Management Response</u>  The Auditor's Office ensures that all significant payments made subsequent to year end be reviewed for accruality. We inform all departments to review their closing process to ensure all significant payments made after year end for services performed or goods received in the prior year are identified and communicated to the Auditor-Controller. The County of Mendocino does not accrue expenditures for grant programs within the 4000 Fund series.

## COUNTY OF MENDOCINO

### Schedule of Findings and Questioned Costs Financial Statement Findings For the Year Ended June 30, 2009

Program	Findings/Noncompliance
<b>Finding 09-FS-5</b>	<p><i>Accounts Payable and Cash</i> <i>Reporting Requirement: Material Weakness</i></p> <p><u>Criteria</u></p> <p>Accounts Payable checks should be posted to the period in which the checks were issued and mailed.</p> <p><u>Condition</u></p> <p>Accounts Payable checks which were written in the subsequent period were included in the current period</p> <p><u>Cause</u></p> <p>The County's computer system was set up to include a '13<sup>th</sup>' month for the year ended 6/30/09. The checks were included in this 13<sup>th</sup> month.</p> <p><u>Effect of Condition</u></p> <p>Accounts payable and Cash could have been significantly understated (materially understated in terms of mental health fund). The amount of the audit adjustment to correct accounts payable and cash was approximately \$1.7 million.</p> <p><u>Recommendation</u></p> <p>We recommend the County review posting of checks subsequent to year-end to ensure they are included in proper period, including not allowing the 13<sup>th</sup> period checks to be set up in the computer system.</p> <p><u>Management Response</u></p> <p>We agree with this finding and have implemented procedures to prevent this from occurring in the future.</p>



# COUNTY OF MENDOCINO

## Schedule of Findings and Questioned Costs Financial Statement Findings For the Year Ended June 30, 2009

Program	Findings/Noncompliance
<b>Finding 09-FS-6</b>	<div data-bbox="462 390 1024 459"><i>Reconciliation of Cash and Investments</i> <i>Reporting Requirement: Material Weakness</i></div> <div data-bbox="462 501 561 533"><u>Criteria</u></div> <div data-bbox="462 573 1414 783"><p>Frequent reconciliations of the cash and investment accounts to the general ledger represent an effective internal control that would quickly detect many types of fraud and error that could affect the cash and investments account. Such reconciliations should seek to reduce unknown differences between statement and ledger balances to an immaterial amount.</p></div> <div data-bbox="462 825 591 856"><u>Condition</u></div> <div data-bbox="462 896 1414 1039"><p>While obtaining an understanding of internal control over the County's cash reconciliation process, we learned that reconciliations between the general ledger and the Treasury's cash and investment balances are done on a regular basis, but became aware of the following issues:</p></div> <div data-bbox="462 1079 1414 1297"><p>--The cash reconciliation for May 2009 included a reconciling item of \$618,313.97 for which supporting documentation was not readily available. Upon further inquiry, we learned that the number was based on an estimate and may have included unknown differences. The reconciling item included on the June 30, 2009 reconciliation was determined to have sufficient support.</p></div> <div data-bbox="462 1337 1414 1556"><p>--The June 2009 Schedule of Investments prepared by the Treasury, a separate document which is used in preparing the reconciliation between the treasury balances and general ledger, included an unknown difference of \$693,321.01. The Auditor's Office and Treasury have since identified the causes of the difference and have worked to both correct the underlying condition and to resolve the current difference.</p></div> <div data-bbox="462 1596 537 1627"><u>Cause</u></div> <div data-bbox="462 1667 1414 1848"><p>The County's current cash reconciliation procedures do not require that supporting documentation be maintained with the reconciliation for all known reconciling items and do not make a clear distinction between known and unknown differences. In addition, unknown differences that have accumulated from prior years have proven difficult to resolve.</p></div>

# COUNTY OF MENDOCINO

## Schedule of Findings and Questioned Costs Financial Statement Findings For the Year Ended June 30, 2009

Program	Findings/Noncompliance
<b>Finding 09-FS-6</b> (continued)	<p data-bbox="462 394 716 426"><u>Effect of Condition</u></p> <p data-bbox="462 468 1414 720">Without a clear distinction on the reconciliation between known and unknown differences and an accumulation of all unknown differences in one place, the total amount of the unknown difference becomes more difficult to review and monitor. When unknown differences grow large, the risk is increased that errors or fraud involving cash and investments may not be prevented or detected in a timely manner, and that the financial statement balance of cash and investments could be misstated.</p> <p data-bbox="462 762 691 793"><u>Recommendation</u></p> <p data-bbox="462 835 1406 1087">We recommend that all known differences on the County's cash and investments reconciliation be supported by documentation that is maintained on file with the reconciliation, and that the reconciliation and supporting documentation be reviewed. We further recommend that all unknown differences or estimates of known differences that are not supported be accumulated on one section of the reconciliation to facilitate management's monitoring of the reconciliation process.</p> <p data-bbox="462 1129 1414 1276">We recommend that the Auditor-Controller and Treasurer work together to resolve the cumulative unknown difference in investments, perhaps by posting an adjusting entry to the unapportioned interest trust on the general ledger.</p> <p data-bbox="462 1318 760 1350"><u>Management Response</u></p> <p data-bbox="462 1392 1414 1486">We agree and have implemented procedures to prevent this from occurring in the future. We are working with the Treasurer to resolve this issue.</p>

## COUNTY OF MENDOCINO

### Schedule of Findings and Questioned Costs Financial Statement Findings For the Year Ended June 30, 2009

Program	Findings/Noncompliance
<b>Finding 09-FS-7</b>	<p><i>Governmental Trust Funds</i> <i>Reporting Requirement: Material Weakness</i></p> <p><u>Criteria</u></p> <p>Under Governmental Accounting Standards Board (GASB) Statement No. 34, amounts formally held in trust but used to support the County's own programs should be reported as funds within the County's reporting entity so as to ensure all economic resources that can be used by the County are reported in their financial statements. Activity in these accounts is required to be included in the County's reporting entity, either as additional funds or transactions in existing county funds.</p> <p>Use of the agency fund type is limited to resources the County holds purely in a custodial capacity for individuals or other organizations, such as school districts and special districts not governed by the County Board of Supervisors.</p> <p><u>Condition</u></p> <p>The County accounts for several agency funds in one consolidated fund. This fund includes accounts holding resources that cannot be used to support County functions and activities, but it also contains accounts holding resources belonging to the County. As of June 30, 2009, this consolidated fund contained pooled cash and investments of \$1,018,639, revenues of \$196,566, and expenditures of \$63,526 that actually belonged to County programs and were reclassified to the General Fund in the audited financial statements.</p> <p><u>Cause</u></p> <p>Before GASB 34 took effect, the County's current treatment was permitted. Although reporting requirements have changed, the County still has a need to account for these resources separately from other general fund resources.</p> <p><u>Effect of Condition</u></p> <p>By excluding transaction activity in these funds, balances for revenues and expenses in the County's own financial reports (including budgetary reports) are not complete.</p>

# COUNTY OF MENDOCINO

## Schedule of Findings and Questioned Costs Financial Statement Findings For the Year Ended June 30, 2009

Program	Findings/Noncompliance
<b>Finding 09-FS-7</b> (continued)	<p>There is the potential to double report revenues when resources are transferred into operating funds. Not using the accounting system to control the flow of revenues increases the potential for reporting revenues twice.</p> <p>As the County does not budget for any activity occurring in agency funds, any deviations from the adopted budget are not apparent until well after the end of the fiscal year and thus cannot be addressed when they occur.</p> <p><u>Recommendation</u></p> <p>For each account identified as holding resources available to support County functions and activities, we recommend the Auditor-Controller's Office create a new fund in its accounting system having the full functionality of reporting revenues and expenditures.</p> <p><u>Management Response</u></p> <p>We are still conducting research in order to respond to this recommendation. Agency funds remain in Trust until transferred to the department, and then become revenue at that point.</p>

# COUNTY OF MENDOCINO

## Schedule of Findings and Questioned Costs Financial Statement Findings For the Year Ended June 30, 2009

Program	Findings/Noncompliance
<b>Finding 09-FS-8</b>	<p><i>Property Tax Receivable</i> <i>Reporting Requirement: Material Weakness</i></p> <p><u>Criteria</u></p> <p>During its year-end closing process, the County should establish and enforce policies and procedures to ensure that account balances recording property taxes receivable are reconciled to records maintained by the Tax Collector.</p> <p><u>Condition</u></p> <p>During the audit, we noted a variance of \$3,165,368 between the general ledger secured taxes receivable balance and the Tax Collector's records.</p> <p><u>Cause</u></p> <p>Accumulated cancellations, refunds, and corrections adjusted in the Tax Collector's records were not adjusted in the general ledger.</p> <p><u>Effect of Condition</u></p> <p>By not properly reconciling year-end tax receivable balances to records maintained by the Tax Collector, the County could materially misstated the balance of secured property taxes receivable.</p> <p><u>Recommendation</u></p> <p>We recommend that the County modify its year-end closing procedures to ensure that account balances recording secured property taxes receivable are reconciled to records maintained by the Tax Collector.</p> <p><u>Management Response</u></p> <p>We agree and have implemented year-end closing procedures to ensure account balances are reconciled to the Tax Collector.</p>

## COUNTY OF MENDOCINO

### Schedule of Findings and Questioned Costs Federal Award Findings and Questioned Costs For the Year Ended June 30, 2009

Program	Findings/Noncompliance
<b>Finding 09-SA-1</b>	<i>Federal Grantor: U.S. Department of Transportation</i> <i>Pass-Through Entity: State Department of Transportation</i> <i>Compliance Requirement: Reporting</i> <i>Reporting Requirement: Material Weakness</i>
Highway Planning and Construction CFDA 20.205	
Award No. n/a Year: 2008/2009	<u>Criteria</u> <p>According to standard reporting requirements which are applicable to the Department's fiscal audit, the standard provides guidance in that if an entity is unable to draft its own financial statements or detect and correct errors in statements compiled by others, there may be a material weakness or significant deficiency. External auditors cannot be part of the Department's internal controls, including controls over the preparation of the financial statements, and are prohibited from auditing their own work as doing so impairs their independence.</p> <p>The Schedule of Expenditures of Federal Awards (SEFA), while not a part of the basic financial statements, is audited in relation to the basic financial statements, in accordance with the requirements of OMB Circular A-133.</p> <u>Condition</u> <p>During the course of our audit, we noted that the expenditures of \$308,874 for the North Street Improvements Project that were reported on the Department SEFA as federal expenditures were determined to be 100% state expenditures. Because of this, the Highway Planning and Construction cluster dropped from a Type A program to a Type B program.</p> <u>Questioned Costs</u> <p>No costs are questioned.</p> <u>Perspective</u> <p>The amount of this misstatement was \$308,874.</p>

## COUNTY OF MENDOCINO

### Schedule of Findings and Questioned Costs Federal Award Findings and Questioned Costs For the Year Ended June 30, 2009

Program	Findings/Noncompliance
<b>Finding 09-SA-1</b> (continued)	<u>Effect of Condition</u>  Not being able to properly identify federal expenditures by program at the Department level could cause a material misstatement on the Department's SEFA and the County's SEFA as well. This could lead to action by federal and state grantor agencies, and may result in additional audit costs if the misstated information leads to changes in audit requirements.
Highway Planning and Construction CFDA 20.205	<u>Recommendation</u>  We recommend that the County conduct a training session with Department fiscal staff on Department SEFA preparation, and that, prior to submitting final SEFA data, County staff review the information to determine whether the federal expenditures appear to be properly stated by program.
	<u>Corrective Action Plan</u>  The Schedule of Expenditures for Federal Authorization (SEFA) for FY 2008/2009 included all of the expenditures for a project that was funded from both Federal and State sources. By including all expenditures, DOT incorrectly reported the Federal expenditures on the SEFA.  In order to prevent an error of incorrectly reporting non-Federal expenditures on the SEFA in the future, for each construction project DOT will document all sources of funding on a summary page that is included in the project file. The expenditures for each project will then be itemized according to the funding source, and the information for the SEFA report will be obtained from this summary.  The contact person for this corrective action plan is the Deputy Director Administration and Business Services. The Deputy Director can be reached at 707.463.4070.

## COUNTY OF MENDOCINO

### Schedule of Findings and Questioned Costs Federal Award Findings and Questioned Costs For the Year Ended June 30, 2009

Program	Findings/Noncompliance
<b>Finding 09-SA-2</b>	<i>Federal Grantor: U.S. Department of Health and Human Services</i>
Temporary Assistance for Needy Families (TANF) CFDA 93.558	<i>Pass-Through Entity: State Department of Social Services</i>
	<i>Compliance Requirement: Eligibility/Special Tests (IEVS)</i>
	<i>Reporting Requirement: Significant Deficiency</i>
Award No. n/a Year: 2008/2009	<u>Criteria</u>  As required by § 1137 of the Social Security Act, income and benefit information from the Income Eligibility and Verification System (IEVS) database must be requested and used when making eligibility determinations. The County must review and compare the information obtained from IEVS against information contained in the case record to determine whether it affects the individual's eligibility or level of assistance, benefits or services.  <u>Condition</u>  We tested twenty-nine cases and noted that three cases did not have any current IEVS documents at all.  <u>Questioned Costs</u>  No costs are questioned.  <u>Perspective</u>  We noted that the IEVS were not current for nine individuals. We assumed an average number of individuals requiring an IEVS per case was 3.5. That means we tested for 102 IEVS with nine current IEVS missing. The exception rate for the sample was $9 / 102 = 8.83\%$ .  <u>Effect of Condition</u>  The IEVS system is an elaborate, federally-mandated system which compiles government information for the purpose of tracking federal program eligibility data. Not requesting and using IEVS in eligibility determination can result in individuals receiving benefits to which they are not entitled.



## COUNTY OF MENDOCINO

### Schedule of Findings and Questioned Costs Federal Award Findings and Questioned Costs For the Year Ended June 30, 2009

Program	Findings/Noncompliance
<b>Finding 09-SA-2</b> (continued)	<u>Recommendation</u>  We recommend that the Department review this omission to request, review, and compare the IEVS to information in the case record. We recommend that the Department attempt to determine why the current system of controls failed to prevent these exceptions and that the Department establish and communicate a policy designed to ensure that IEVS information is requested, received, and reviewed and that this review is documented in each case.
Temporary Assistance for Needy Families (TANF) CFDA 93.558	<u>Corrective Action Plan</u>  Compliance Requirements: IEVS (CalWORKs) <ul style="list-style-type: none"><li>• Program Managers will remind the Eligibility Supervisors to review the IEVS Handbook at their Operations meetings.</li><li>• Supervisors will remind staff and review our IEVS Handbook at unit meetings and individual conferences.</li><li>• Supervisors will remind eligibility staff of the importance of working, signing, and dating the IEVS at the time of an eligibility determination. Case comments also need to reflect that the IEVS is in the case</li><li>• Supervisors will review each case at initial intake, add-person/program application and at renewal/recertification to be sure a current IEVS is processed and is in the case file to support the application and/or renewal/recertification.</li><li>• When a case is transferred from worker to worker or from unit to unit, the supervisor shall review the case for the most current IEVS and document on the case transmittal that the IEVS is processed and in the case file.</li></ul> Mendocino County would like to note that due to receiving Audit Findings from 2007/2008 in May 2009, Mendocino County was not able to put a Corrective Action Plan into place until June 2, 2009. By the time the next review happened in September 2009 the CAP was in place for only a few months.  The contact person for this corrective action plan is the Program Administrator. The Program Administrator can be reached at 707.463.7794.

## COUNTY OF MENDOCINO

### Schedule of Findings and Questioned Costs Federal Award Findings and Questioned Costs For the Year Ended June 30, 2009

Program	Findings/Noncompliance
<b>Finding 09-SA-3</b>	<i>Federal Grantor: U.S. Department of Health and Human Services</i>
Medical Assistance Program	<i>Pass-Through Entity: State Departments of Health Services and Alcohol and Drug Abuse Programs</i>
CFDA 93.778	<i>Compliance Requirement: Eligibility (IEVS)</i>
Award No. n/a	<i>Reporting Requirement: Material Weakness; Material Noncompliance in Relation to a Compliance Supplement Audit Objective</i>
Year: 2008/2009	<u>Criteria</u>

As required by § 1137 of the Social Security Act, income and benefit information from the Income Eligibility and Verification System (IEVS) database must be requested and used when making eligibility determinations. The County must review and compare the information obtained from IEVS against information contained in the case record to determine whether it affects the individual's eligibility or level of assistance, benefits or services.

#### Condition

We tested twenty-nine cases and noted that five cases did not have any current IEVS documents at all.

#### Questioned Costs

No costs are questioned.

#### Perspective

We noted that the current IEVS were missing for 16 individuals. We assumed an average number of individuals requiring an IEVS per case was 3.5. That means we tested for 102 IEVS with 16 current IEVS missing. The exception rate for the sample was  $16 / 102 = 15.69\%$ .

#### Effect of Condition

The IEVS system is an elaborate, federally-mandated system which compiles government information for the purpose of tracking federal program eligibility data. Not requesting and using IEVS in eligibility determination can result in individuals receiving benefits to which they are not entitled.

## COUNTY OF MENDOCINO

### Schedule of Findings and Questioned Costs Federal Award Findings and Questioned Costs For the Year Ended June 30, 2009

Program	Findings/Noncompliance
<b>Finding 09-SA-3</b> (continued)	<u>Recommendation</u>  We recommend that the Department review this omission to request, review, and compare the IEVS to information in the case record. We recommend that the Department attempt to determine why the current system of controls failed to prevent these exceptions and that the Department establish and communicate a policy designed to ensure that IEVS information is requested, received, and reviewed and that this review is documented in each case.
Medical Assistance Program CFDA 93.778	<u>Corrective Action Plan</u>  Compliance Requirements: IEVS (Medi-Cal) <ul style="list-style-type: none"><li>• Program Managers will remind the Eligibility Supervisors to review the IEVS Handbook at their Operations meetings.</li><li>• Supervisors will remind staff and review our IEVS Handbook at unit meetings and individual conferences.</li><li>• Supervisors will remind eligibility staff of the importance of working, signing, and dating the IEVS at the time of an eligibility determination. Case comments also need to reflect that the IEVS is in the case</li><li>• Supervisors will review each case at initial intake, add-person/program application and at renewal/recertification to be sure a current IEVS is processed and is in the case file to support the application and/or renewal/recertification.</li><li>• When a case is transferred from worker to worker or from unit to unit, the supervisor shall review the case for the most current IEVS and document on the case transmittal that the IEVS is processed and in the case file.</li></ul> Mendocino County would like to note that due to receiving Audit Findings from 2007/2008 in May 2009, Mendocino County was not able to put a Corrective Action Plan into place until June 2, 2009. By the time the next review happened in September 2009 the CAP was in place for only a few months.  The contact person for this corrective action plan is the Program Administrator. The Program Administrator can be reached at 707.463.7794.

## COUNTY OF MENDOCINO

### Summary Schedule of Prior Audit Findings For the Year Ended June 30, 2009

Audit Reference Number	Status of Prior Year Audit Findings
<b>Finding 07-SA-3</b>	<u>Recommendation</u>  We recommend that the Department review this omission to request, review, and compare the IEVS to information in the case record. We recommend that the Department attempt to determine why the current system of controls failed to prevent these exceptions and that the Department establish and communicate a policy designed to ensure that IEVS information is requested, received, and reviewed and that this review is documented in each case.  <u>Status</u>  Not Implemented. This finding is renumbered to 08-SA-3 and 09-SA-3 because we had the same finding for the current year audit as well.
<b>Finding 07-SA-4</b>	<u>Recommendation</u>  We recommend that a review process be implemented to ensure that the required annual redeterminations for the Medi-Cal Assistance Program are conducted. If necessary, we recommend that the County assign more personnel resources to performing redeterminations.  <u>Status</u>  Implemented.
<b>Finding 08-SA-1</b>	<u>Recommendation</u>  We recommend that the Department review the omission to request, review, and compare the IEVS to information in the case record. We recommend that the Department attempt to determine why the current system of controls failed to prevent these exceptions and that the Department establish and communicate a policy designed to ensure that IEVS information is requested, received, and reviewed and that this review is documented in each case.  <u>Status</u>  Not Implemented. This finding is renumbered to 09-SA-2 because we had the same finding for the current year audit as well.

## COUNTY OF MENDOCINO

### Summary Schedule of Prior Audit Findings For the Year Ended June 30, 2009

<u>Audit Reference Number</u>	<u>Status of Prior Year Audit Findings</u>
<b>Finding 08-SA-2</b>	<u>Recommendation</u>  We recommend that the County instruct its eligibility staff to make sure a properly-executed AAP-4 is contained in the case file before approving federal Adoption Assistance. When any case is identified which does not have a properly-executed AAP-4, we recommend that a supervisor review the case file to make sure that the aid code for the case is correct.  <u>Status</u>  Implemented.
<b>Finding 08-SA-3</b>	<u>Recommendation</u>  We recommend that the Department review the omission to request, review, and compare the IEVS to information in the case record. We recommend that the Department attempt to determine why the current system of controls failed to prevent these exceptions and that the Department establish and communicate a policy designed to ensure that IEVS information is requested, received, and reviewed and that this review is documented in each case.  <u>Status</u>  Not Implemented. This finding is renumbered to 09-SA-3 because we had the same finding for the current year audit as well.
<b>Finding 08-SA-4</b>	<u>Recommendation</u>  We recommend that a review process be implemented to ensure that the required annual redeterminations for the Medi-Cal Assistance Program are conducted. If necessary, we recommend that the County assign more personnel resources to performing redeterminations.  <u>Status</u>  Implemented.

**SUPPLEMENTARY SCHEDULE  
OF  
THE CALIFORNIA EMERGENCY  
MANGAGEMENT AGENCY GRANTS EXPENDITURES**

# COUNTY OF MENDOCINO

## Schedule of the California Emergency Management Agency Grants Expenditures For the Year Ended June 30, 2009

### California Emergency Management Agency Grants

The following represents expenditures for California Emergency Management Agency (Cal EMA) programs for the year ended June 30, 2009. The amount reported in the Schedule of Expenditures of Federal Awards is determined by calculating the federal portion of the current year expenditures.

Program	Expenditures Claimed			Share of Expenditures		
	For the Period	For the Year	Cumulative	Current Year		
	Through June 30, 2008	Ended June 30, 2009	As of June 30, 2009	Federal Share	State Share	County Share
<u>DC08190230 - Anti-Drug Abuse Enforcement</u>						
Personal services	\$ 128,582	\$ 120,490	\$ 249,072	\$ 120,490	\$ --	\$ --
Operating expenses	--	7,858	7,858	7,858	--	--
Equipment	--	--	--	--	--	--
Totals	<u>\$ 128,582</u>	<u>\$ 128,348</u>	<u>\$ 256,930</u>	<u>\$ 128,348</u>	<u>\$ --</u>	<u>\$ --</u>
<u>SE08110230 - Special Emphasis Victims Assistance Program</u>						
Personal services	\$ 137,500	\$ 200,185	\$ 337,685	\$ 93,500	\$ --	\$ 106,685
Operating expenses	--	3,982	3,982	--	--	3,982
Equipment	--	--	--	--	--	--
Totals	<u>\$ 137,500</u>	<u>\$ 204,167</u>	<u>\$ 341,667</u>	<u>\$ 93,500</u>	<u>\$ --</u>	<u>\$ 110,667</u>
<u>VW08270230 - Victim Witness Assistance</u>						
Personal services	\$ 117,804	\$ 161,889	\$ 279,693	\$ 48,923	\$ 74,758	\$ 38,208
Operating expenses	14,511	25,654	40,165	--	--	25,654
Equipment	--	--	--	--	--	--
Totals	<u>\$ 132,315</u>	<u>\$ 187,543</u>	<u>\$ 319,858</u>	<u>\$ 48,923</u>	<u>\$ 74,758</u>	<u>\$ 63,862</u>
<u>VB07050230 - Child Abuse Vertical Prosecution</u>						
Personal services	\$ 92,275	\$ 83,948	\$ 176,223	\$ --	\$ 72,137	\$ 11,811
Operating expenses	6,782	2,654	9,436	--	--	2,654
Equipment	--	--	--	--	--	--
Totals	<u>\$ 99,057</u>	<u>\$ 86,602</u>	<u>\$ 185,659</u>	<u>\$ --</u>	<u>\$ 72,137</u>	<u>\$ 14,465</u>